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**SOCIAL EXCLUSION AND DISCRIMINATION  
IN THE LABOUR MARKET**

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**ISID**

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## CONTENTS

I. Labour Market: Distinctive Characteristics and Proneness to Discrimination	2
II. Social Exclusion and Discrimination: Concepts and Context	4
III. Bases of Social Exclusion	6
IV. The Indian Case: The Socially Excluded Groups	8
V. Gender Based Discrimination: Women in the Indian Labour Market	8
VI. Caste Based Social Exclusion and Discrimination	11
VII. Labour Market: Evidence of Discrimination	12
VIII. Interventions: Capacity Enhancement and Affirmative Act	15
References	17

### *List of Tables*

<i>Table 1</i> Incidence of Poverty by Social Groups (%) (Expert Group Method)	12
<i>Table 2</i> Participation in Workforce by Social Group	13
<i>Table 3</i>	14



# SOCIAL EXCLUSION AND DISCRIMINATION IN THE LABOUR MARKET\*

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*[Abstract: Social exclusion of certain groups on the basis of race, creed, colour and caste has been practised in most societies. This paper explores the sources and implications of such exclusion, especially as manifest in discrimination in the labour market. After briefly reviewing the concepts of social exclusion in various contexts, the main focus of the paper is on the caste-based social exclusion and labour market discrimination in India. Based mainly on the data available from secondary official sources and past studies on the subject, it concludes that even though the extent of discrimination and severity of discrimination has declined over the years, there is still a large degree of disadvantage faced by certain social groups in employment and wages. A large part of it is accounted for by differences in endowment among different social groups but a significant part is due to discrimination. The paper concludes by suggesting that capacity enhance and affirmative actions are necessary to bring about equality of opportunity in the labour market.]*

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Labour is the major source of livelihoods of most of the people. It is through the sale of their labour that these people derive their incomes. Labour markets, therefore, are a major mechanism for alleviating poverty and improving living standards. Labour is highly differentiated not only in terms of its own attributes such as age, sex, education, skill, occupation and location of its supplier, that is, the worker, but also as a result of the perception and prejudices of its buyer. These factors make the labour markets highly segmented. The dimension of prejudice also makes the labour markets prone to discrimination and exclusion. Disparities in wages, earnings and incomes of labour are thus results not only of the varying attributes, endowment and productivity of workers but also of the employers' and society's perceptions about the value of labour of and attitude towards different categories of workers. Labour markets thus are, on the one hand, a major source of income and livelihoods and an important route to poverty alleviation; and, on the other, also a mechanism that has the potential of generating, perpetuating and accentuating inequalities, discrimination and exclusion.

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The present paper attempts to explore the sources and implications of the various forms of discrimination and social exclusion in the labour market, especially in the Indian context. It starts with description of some unique characteristics of the labour markets that differentiate them from other markets in a manner that make them especially vulnerable to the practices of discrimination and exclusion. It then presents the general proposition regarding the expected decline in these practices with development and labour market dynamics. In the next part, the concept of social exclusion had been explained as it has been understood in different economic and social contexts and as it differs from the notion of discrimination. A brief account of the types and bases of social exclusion as theoretically conceptualised and historically observed is also given here. A major part of the paper is devoted to the description and analysis of social exclusion and labour market discrimination in India. After a brief account of the nature and extent of gender-based discrimination, this part of the paper then mainly deals with caste and religion based social exclusion and discrimination in the labour market. It describes the forms of social exclusion and their result as evidenced in different social and economic outcomes. The extent of discrimination in the labour market as seen in such measures as the shares in employment, especially in secure and better paid jobs, earnings differentials, chances of securing jobs, as found in various research studies are then summarised. Finally, a brief account of the interventions to combat social exclusion and labour market discrimination is presented particularly keeping in view the Indian experience in the areas of special efforts for capacity enhancement and affirmative action in favour of the disadvantaged groups like Scheduled Castes and Scheduled Tribes.

## **I. Labour Market:**

### **Distinctive Characteristics and Proneness to Discrimination**

Labour markets are different from other markets in so far as the seller and the object of sale and purchase are not separable: 'Labour' is embodied in the worker and therefore, the latter has to be present where the former is sold. Labour is, in fact, sold in the form of the actions of the worker. Worker 'performs' labour and it is in that process that the sale takes place. An important implication of this characteristic for the labour market is that labour cannot be sold where worker is not present and in so far as there are constraints in the mobility of workers, labour markets tend to become segmented by space: sale and purchase of labour tends to get thus divided between rural and urban, geographical and socio-cultural regions. This basis of segmentation is in addition to age, sex, education, skill and occupation. And lack of mobility places labour in a permanent disadvantage *vis a vis* capital which can move freely across locations, regions and countries once any institutional barriers to its mobility are removed. It is true that in the case of information technology based services, the worker does not have to be present at the delivery end of the sale of labour; yet he has still to be present at the production end. In all other cases,

the worker has to be present not only where labour is performed but that is also the place where its services are received.

Another consequence of the labour being embodied in the worker, a living human being, is its slow and inadequate response to market trends. Supply of labour does not increase or decrease quickly and sufficiently in response to a change in its demand and price. Temporally, population movements do not necessarily follow changes in demand and supply of labour. In any case, it takes time for a child to enter labour force even if it is 'produced' in response to increasing demand for labour! Similar is the case of labour market for specific occupation as education and training required to acquire requisite skills takes time and, therefore, increase in supply cannot take place instantly to meet a rise in demand. Spatially, labour does not spontaneously move to any place where there is shortage of labour; response is generally slow and inadequate. As a result, labour markets are never in equilibrium in the Walrasian sense: they do not 'clear' even theoretically. There are always shortages and surpluses most often both together. Historically, surplus is more common than shortages as is evidenced in unemployment being a permanent feature of the labour markets universally.

A most peculiar feature of the labour market is that a buyer is often influenced in his decision to buy not by the nature and quality of the product but by some socio-cultural attributes of the seller. In other words, an employer decides not to hire a worker because the latter belongs to a particular caste, race and religious group. The decision may be based on the employer's perception about efficiency of the group as a whole or a result of his prejudice against the group. But in either case, it is a case of social exclusion of human beings with certain social attributes. Similar exclusion and discrimination is common with respect to gender: women being the victims almost always. Such decision to refrain from purchase from sellers belonging to certain social groups may sometimes be observed also in respect of items other than labour. For example, some high caste Hindus may not buy cooked food from a low caste seller. In a sense, it is also the case of refused to buy the product of labour, but is indeed a result of the notions of pollutions and untouchability, that go beyond the practices in the labour market and are observed in other social spheres as well. And, of course, there are more despicable forms of social exclusion in the non-economic spheres, than in the labour market. But within the economic sphere, social exclusion and discrimination is more frequently practiced in the labour market than in other markets. Cases of refusal to buy good quality land, clothing or television set at competitive prices because the seller belongs to particular social group would be rare.

Peculiarities of the labour market that arise from the inseparability of the object for sale and the seller result in labour being always at a disadvantage, on the one hand, and make

the labour market discrimination prone, on the other. Since it is in the nature of human beings to like some and dislike other persons, one has to forgo the services of those not liked, as buying their services means approving of them. In other markets one can buy without getting influenced by the social attributes of the seller and even if the buyer dislikes the seller, the transaction can still take place, as the object of sale is independent of the seller. Labour market thus offers opportunities to exclude and discriminate rarely found in other markets.

How does development in economic and social spheres influence the phenomena of segregation, social exclusion and discrimination in the labour market? Development includes expansion of transport and communication which facilitates greater mobility of people across locations and regions. In so far as that happens, labour market segmentation based on geographical location should decline. Lack of mobility due to socio-cultural, including linguistic reasons, may still remain and may eventually decline as a result of development of education, another essential component of development. Expansion of employment opportunities accompanying economic growth and development is likely to reduce un-employment and combined with increase in mobility, will reduce the disadvantage that labour suffers vis a vis capital. Greater market penetration is also likely to bring in a change in value orientation leading to dilution in the influence of cognitive factors in labour market decisions. Increasing demand for labour leading to a tightening of the labour market could also dilute the extent of social exclusion and discrimination, as the employers may not get enough supply of labour from amongst 'included' and 'preferred' social groups.

In so far as excess supply of labour and unemployment persist, as is commonly found to be the case, the phenomena of social exclusion and discrimination are likely to continue. It is indeed important to study whether and to what extent development leads to a 'secularisation' of the labour market by reducing social exclusion and discrimination practised against certain social groups. Is certain pattern of development more 'inclusive' than others and what kinds of interventions – capacity building and/or affirmative action are likely to prove effective to redress the disadvantage of the excluded and discriminated groups?

## **II. Social Exclusion and Discrimination: Concepts and Context**

The phenomenon of social exclusion has existed in all societies and at different stages of their development. But its perception and forms have varied.

In the European context of the later part of the nineteenth and most of the twentieth centuries, the concept was viewed primarily with the prism of welfare state (Saith-2001). While all citizens were treated equal and discrimination on the basis of colour, race and religion was not supposed to exist, yet certain categories of people were excluded from the provisions of the welfare state. These provisions had their origin in social security and welfare measures introduced in the case of factory workers (Bhalla and Lapeyere, 1999). Socially excluded were those not protected by these welfare provisions due to their not being eligible as they were not workers due to being mentally and physically handicapped, aged and invalid. Subsequently, of course, they were all covered by other provisions of the welfare state.

The concept of 'social exclusion', however, seems to continue to be associated with employment status, as the starting point in the European context, even in more recent periods. While initially ineligibility for social protection due to not being in the labour force and, therefore, in employment, was seen as social exclusion, in later years especially in the last quarter of the twentieth century, lack of work (unemployment) and vulnerable (low paid casual and informal employment without social protection which sharply increased in the wake of globalisation, was seen as a form of social exclusion (see e.g. a study of Paugam (1995) on France). Attempts have also been made to extend the concept further to relate it with poverty and social relationship, besides the labour market (e.g. Paugam (1996) in a multi country comparative study), and make it multi-dimensional incorporating lack of participation in what would be considered 'normal activities' – participation in consumption activity of at least a minimum level, productive activity by engaging in economically and socially valued work, political activity including voting and membership of political parties and social activity in terms of social interaction and membership of social-cultural organisation (see, e.g. a study by Burchardt *et al*, 1999) on Great Britain). An European Commission document, "Observatory on National Policies to Combat Social Exclusion, Report of 1992") defined social exclusion "in relation to social rights of citizens – to a certain basic standard of living and to participation in the major social and occupational opportunities of the society" (Gore, *et al*, 1995, p.2).

Debate on social exclusion in the European context has led to the advancement of the concept in two directions: first, focus on factors, processes and dynamics that lead to poverty, and second, encompassing a multidimensional concept of living conditions, going beyond the notion of income shortage (Berghman, 1995). This is also a significant advance from the 'exclusion from the social protection', 'exclusion from welfare state' and 'exclusion in relation to employment' approaches developed earlier. Universal application of any of these – old and new – concepts of social exclusion is, however, fraught with serious difficulties, especially in the case of developing countries. The criterion of non-availability of social protection would place a large majority of workers

(86 per cent in the case of India, according to NCEUS (2006)) in the category of 'socially excluded'. The type of income support that the European countries with well-founded welfare state provide will require "an incomparably higher level of fiscal commitment in relation to resources" as it would have to be given to over half the population in these countries as compared to around ten per cent in industrialised countries (Osmani, 1991). And application of the criterion of lack of, or vulnerable and unprotected, employment would again qualify a large majority (over 80 per cent in the case of India) of workers to be "socially excluded".

Viewing social exclusion in terms of poverty is, no doubt, more meaningful, particularly if measured in a multi-dimensional mode. But here again the estimates of the socially excluded may turn out to be too large to be operationally meaningful. Use of income based poverty may yield more manageable estimates but that would be a rather limited approach to the concept. More important, poverty is an outcome, not a symptom of social exclusion. At the same time, social exclusion is, but not the only cause of poverty; nor is poverty the only outcome of social exclusion. It is not logically correct to identify one with the other.

### **III. Bases of Social Exclusion**

Another approach to the study of social exclusion is to identify the groups that are known to have been or are in danger of being socially excluded on the basis of their specific attributes and examine the mechanisms of their exclusion and possible ways of increasing their inclusion in the mainstream. Gender-based discrimination and exclusion is found to be a common phenomenon across the globe. It has been extensively studied and commented upon in its various dimensions including historical sexual division of work, discrimination in hiring, placements and promotions and differences in wages and earnings between women and men. Studies have also focused on differential rates of labour force and workforce participation by women and men and consequent underrepresentation of women in workforce; as well as the sex-based discrimination in family and society in the spheres of education and skill formation and attitudes towards women's work — forms of discrimination that precede discrimination in the labour market and influence the gender based differences in employment and earnings.

Parallel to gender based discrimination and exclusion, most societies have also practised and observed social exclusion based on race, colour, creed and caste. Division of society and exclusion of some groups based on race and colour, have been part of social, political and economic history of many countries. The black-white division in the United States and 'apartheid' in South Africa are the most widely known and studied cases of this kind. In both cases, discrimination had its roots in slavery, was practised historically, led

to dissensions and struggles, was finally recognised as unfair and unhealthy and measures were sought and used to remedy the situation. Discrimination against some groups based on their social attributes has been historically practised in several other countries also. Caste, ethnicity and religion, have most often been such attributes on the basis of which social exclusion and discrimination is practised. Among such cases, caste-based division in India, especially among the Hindus, is probably the most well-known and well documented and studied example of the phenomenon of social exclusion..

Exclusion based on social attributes of population groups is different from the kind discussed earlier in the European context. It is based on some group based attribute rather than the status of an individual (like 'out of job', in precarious job, without social protection, disabled, delinquent etc.). Since its basis is permanent and, therefore, the exclusion is perpetual and not transient. An unemployed person could become employed, but a member of a race, caste or ethnic group remains to belong to it. It is distinct even from the exclusion based on disability and delinquency in so far it is passed on in inheritance.

A word about the distinction and relationship between social exclusion and discrimination, would be in order here. Discrimination refers to preferential treatment of some over others. But once it is systematically practised against some groups, it would result in social exclusion. Social exclusion is more intense than discrimination, it may literally imply discrimination in absolute terms, namely boycott. In this sense, the difference between the two is only relative: discrimination is a milder form of social exclusion. Social exclusion is seen as an expression first developed by Lenoir (1979), complementary to the framework of labour market discrimination earlier developed by Becker (1957), and in a broader framework included both individuals disadvantaged due to their physical and economic endowments and social groups excluded due to their socio-cultural identity (Thorat and Newman, 2010). The outcomes of either are, however, similar: some groups are placed at a disadvantage in terms of access to assets and jobs, resulting in the poverty and deprivation. And in an analytically meaningful sense, therefore, social exclusion is defined as "discrimination against culturally defined groups" (de Haan, 1997, 2007).

Social exclusion takes place when some groups are discriminated against "either because of perception or prejudice (Darity, 2012). They, as a group are perceived to be inferior (Akerlof, 1976); or are disliked by the discriminators who have a taste for discrimination (Becker, 1957). Inferiority is often attributed to genetics (DNA) or group based cultural norms, both of which have no empirical basis as group characteristics and amount to "blaming the victim" (Darity, 2012). Prejudice, which helps satisfying the perpetrators' taste for discrimination is, however, not necessarily as innocuous as suggested by

scholars like Becker. It is not an individual sentiment, but a reflection of a “collective interest” against the ‘excluded’ group (Blumer, 1958). It is often motivated by ‘material’ interest in sharing resources: land, (good) jobs and decision making authority; and, is institutionalised through rules of social behaviour. It is also reflected in what is called “unfavourable inclusion” (Sen, 2000): culturally identified groups are forced for exclusive engagement in some inferior (polluting, un-respected and low paid) activities, while kept away from better (profitable, socially coveted and high paid) activities.

#### **IV. The Indian Case: The Socially Excluded Groups**

At least four different bases of social exclusion can be identified as prevalent in contemporary Indian society. The first, of course, is the universally observed case of gender based discrimination. Caste system presents the second basis of social exclusion under which groups identified as ‘low’ caste (officially christened as Scheduled Caste – SCs) in the hierarchy of Hindu society have been placed at disadvantaged social, economic and political position through ages. Cultural and spatial isolation has kept certain ethnic groups (officially categorised as Scheduled Tribes – ST) away from the mainstream and thus socially excluded from many important spheres of the modern Indian economy. And, religious minorities, especially Muslims have also lagged behind in most social and economic spheres. Middle caste Hindus, categorised as Other Backward Classes (OBCs) have also claimed and achieved the ‘disadvantaged’ status for the past few decades getting the entitlement for affirmative action on the lines of SCs and STs. Some other caste groups have also been claiming and fighting for similar status in recent years.

We have focussed here mainly on the caste-based exclusion, especially of the Scheduled Castes, and of Scheduled Tribes. Some references have been made to the case of Muslims where relevant material and information has been available. Before that, an account of the features of gender-based discrimination is provided. It may be noted that exclusion and discrimination have many facets and dimensions: access to space, assets, capital, property, institutions etc. Following discussion is confined mainly to dimensions of labour markets – employment and wages.

#### **V. Gender Based Discrimination: Women in the Indian Labour Market**

The Indian labour market is notoriously unfriendly to women. Women constitute almost one half of the population, but less than one-third of the workforce. Three fourths of the women workers are in agriculture, a generally low-productivity, low income sector. Only

a small percentage of women workers are in better paying modern sectors of the Indian economy. For example only 0.08 per cent of women workers are in utilities, the sector with the highest productivity and wages; of men the proportion is over four times higher at 0.35 per cent. Transport and communication, another high paying sector, employs only 0.43 per cent of women workers, while of male workers over 6 per cent are in this sector. Public sector generally provides secure and better paid jobs with social security benefits but only 16 per cent of its employees are women. In the organised sector as a whole – both public and private together – only 20 per cent of workers are women, while in the total – organised and unorganised sector – employment women constitute about 30 per cent. Only 11 per cent of women workers as against 19 per cent of men have regular jobs. A woman's chance of getting a regular job in the organised sector is 0.67 of a male worker; and, a woman worker, on an average, earns 60 per cent of the wage of a male worker (Papola and Sahu 2012).

Urban labour markets are specially unfriendly to women. As against over one third of rural workers, only 18 per cent of urban workers are women. In larger cities their share is still lower around 12 to 15 per cent. Workforce participation rate is as low as 14 per cent as against 55 per cent for men in urban areas, the two rates are 29 and 55 respectively in rural areas (CSO, 2010). A lower workforce participation is a result both of lower labour force participation rate – a smaller percentage of women than of men actually looking for work – and of the employers preferring to employ men rather than women, reflecting labour market discrimination. Labour force participation rates are generally much lower among women than among men, but the gap is much larger in urban than in rural areas: during 2007-08, labour force participation rates among men were estimated to be 55 per cent in rural and 57 per cent in urban areas, but only 22 per cent in rural and 14 per cent in urban areas, among women (CSO, 2010). That of those looking for work, a smaller proportion of among women than among men found jobs was evident by a higher rate of unemployment among women than among men, especially in urban areas. Unemployment rates were around 2 per cent both for men and women in rural areas, but in urban areas, female unemployment rates were around 7 per cent as against 4 per cent in the case of males.

That women have a lower chance of getting jobs than men and employers clearly discriminate against women in hiring, wage fixing and promotion is demonstrated by several field studies. For example, a study of recruitment in a sample of enterprises over a period of two years in the city of Lucknow in Uttar Pradesh, during 1980s found that selection to application ratio with similar qualifications was 0.034 among men, but lower at 0.025 for women candidates (Papola, 1986). To begin with, a smaller number of women than men apply for jobs: on an average 22 persons applied for a job of whom 17 were men and 5 women. And then a smaller proportion of women than men applicants get

selected: among male applicants one out of 29 was selected, among females one out of 38 was selected. Of the persons recruited 16 per cent were women and 85 per cent men. When asked for the reasons for small proportion of women in employment, almost two-thirds of the employers saw it in the lack of interest in employment among women (“women do not come forward to work”) and some (about one-seventh) also saw lack of “necessary capabilities” as the reason. But, a large member of them also revealed prejudice and discrimination as the factor behind the situation. About one-third felt that women should be considered for jobs only when men are not available (“there are not enough jobs even for men”) and two-thirds viewed women’s participation in economic activity as only a secondary activity (“women have to look after the household”). Over one-half (54%) clearly saw employers’ preference for men over women as the reason.

On an average, monthly earnings of a female worker were 72 per cent of those of a male worker. The gap was much less in public administration, banking and insurance and education, but much higher in manufacturing and trade. Occupation wise the difference was high in executive and supervisory positions where female earnings were only about 58 per cent of male earnings and, in unskilled work where they were only 48 per cent. Among sales workers and telephone operators, women on an average earned much more than men and among teachers, para medical workers and higher grade clerical workers the two sexes earned similar salaries. Age, education and length of service were positively associated with earnings, but more so in the case of male than female workers. Accounting for differences in these factors, the study found that there is a pure discrimination of 17 per cent in earnings against women workers. It was found to be around 6 per cent in the case of public sector establishments, but as high 31 per cent in private establishments.

Above details from the findings of an earlier study are cited as samples of the typical characteristics of women workers in urban labour markets. Several other studies have also reported similar findings over the past decades. At the same time, certain changes have been noted as revealed by the data collected under large scale nationwide surveys, though the exclusion and discrimination of a large extent is observed to continue. Some of the notable changes in respect of women’s employment are as follows: One, the share of women in the organised sector employment has increased: it was 15.4 per cent in 1993-94, increased to 17.6 per cent in 1999-2000 and is estimated to have further increased to 20.4 per cent in 2009-10. Second, though there has been hardly any increase in the share of regular wage and salary earners in total employment, it has significantly increased in the case of women workers. It was 6.4 per cent in 1993-94, increased to 7.5 per cent by 1999-2000, and is estimated to have gone up to 9.6 per cent in 2009-10. It must, however, be noted that it is still far below that among the male workers of whom 19 per cent are in this category. Third, more women are now finding employment in better paying and

secure job providing sectors and activities, such as financial services and information technology. Fourth, there has been a decline in the wage gap: the female to male wage ratio that was estimated to be 0.60 in 1994-95, increased to 0.67 in 2009-10. In spite of all these developments, however, the disadvantage and discrimination faced by women continues to be large and the equality between sexes in the labour market is still a distant dream.

## **VI. Caste Based Social Exclusion and Discrimination**

Social exclusion based on caste is by far the most common among its various forms practised in India. Discrimination against certain caste groups is generally a practice observed in Hindu society though in its broader interpretation which identifies dalits as the excluded groups it could be seen among other religious groups as well. Exclusion of ethnic groups commonly identified as scheduled tribes is of somewhat different nature as the basis of exclusion here is not one's position in caste-hierarchy, but cultural and geographical isolation.

Caste system has been a mechanism for social and economic governance of Hindu society since ages. It divides people in social groups with pre-determined and ascribed rights and responsibilities in public sphere. It envisages a broad division of labour in social and productive functions. A person belongs to a group by birth and heredity, not by any acquired attributes.

The most distinctive feature of the caste system is that it is hierarchical. It identifies castes as higher and lower, and superior and subordinate. Corresponding to them are superior and inferior occupations. Social exclusion of lower castes from occupations and activities seen as superior and respectable, and unfavourable (forced) inclusion in inferior and often "polluting" ones thus has been an integral part of the caste system and practised over centuries. Customary rules and norms were set to implement the system which were reinforced with religious and ritual sanctions (Scoville, 1991).

The severity and rigidity with which the caste hierarchy and division of labour is practised have, no doubt, got greatly reduced in modern times, particularly over the past 50-60 years, during which both legislative and policy actions have also been taken to eliminate certain most despicable forms of exclusion (e.g. untouchability) and to provide preferential treatment for capacity enhancement and socio-economic development of the identified disadvantaged castes. The scars of long period historical discrimination and exploitation are still visible in their endowment disadvantage; and, discrimination is still practised in several covert ways in different spheres of economic, social and political activities. In economic spheres, result of these processes is seen in terms of differential

access to resources such as land, capital and credit, and to employment especially in better paying and more respectable occupations and positions. In rural India, for example, according to a study (Thorat, Aryama and Negi, 2005), only 16 per cent of the scheduled Caste households owned land, as against 41-percent of those from other castes; only 28 per cent of the former owned some kind of capital while the figure for the latter was 56 per cent. About two-thirds of the SCs subsisted on the basis of (casual) wage labour, while among other castes this category accounted for only one-third.

The end result of social exclusion and discrimination of all kinds is seen in terms of levels of living of the excluded groups. Even though the basis of exclusion is different in the case of Scheduled Tribes and Muslims, they also are found to suffer from similar disadvantage as the Scheduled Castes as indicated by the summary statistics indicating levels of living, namely, the incidence of poverty. Percentage of persons living below poverty line of household expenditure (Head Count Ratio-HCR) is much higher among them others. According to estimates for 2009-10, STs have the highest incidence of poverty at 32.2 per cent followed by SCs at 30.3 per cent, as compared to 17.7 per cent among other castes (*Table 1*) Muslims have higher incidence of poverty than Hindus though they seem better off than SCs and STs. It, may also be noted that poverty has declined most among Muslims, followed by other Hindu castes but least among STs, followed by SCs.

**Table 1**  
**Incidence of Poverty by Social Groups (%)**  
**(Expert Group Method)**

<i>Group</i>	<i>1993-94</i>	<i>1999-2000</i>	<i>2009-10</i>
Scheduled Castes (SC)	48.6	37.9	30.3
Scheduled Tribes (ST)	49.6	43.8	32.5
Others	30.7	22.7	17.7
All Hindus	35.1	26.9	21.7
Muslims	45.9	35.5	25.1
All	35.9	27.5	21.0

*Source:* Thorat and Dube (2012)

## **VII. Labour Market: Evidence of Discrimination**

Poverty and Levels of living are, of course, a function of income which is derived by households from land and capital and from participation in the labour market. Do the marginalised groups like low caste Hindus, tribals and Muslim minorities have lower access to labour market and better paid jobs? Do they get paid lower than others for

similar jobs? In other words, do they suffer from discrimination in the labour market in terms of employment and wage?

In terms of participation in the labour market, the scheduled castes and scheduled tribes are not found to be worse off than others, though Muslims tend to have a relatively lower participation. *Table 2* gives an idea of the relative representation of these groups in employment. SC and ST groups have a higher worker to population ratio; but that among Muslims is lower. It may, however, not necessarily mean that the better representation of SCs and STs is a result of higher demand for their labour in the market. It seems mostly a result of the greater need for participation in some remunerative activity by the members (including women and children) of their households on account of poverty and low earning per worker. A lower work participation rate among Muslims is primarily a result of a very low participation of women. Women constitute 30 per cent among SC and 37 per cent among ST workers, but only 18 per cent among Muslim workers. Among workers from other groups women make up 27 per cent.

Participation rate is the highest among Scheduled Tribes, so that they account for about 10 per cent among workers against only 8 per cent in population. But only 8 per cent of the ST workers are in regular jobs, with secure employment relatively better earnings and some measure of social security. Among SC workers, 14 per cent belong to this category and among Muslims 15 per cent. Among 'others', 19 per cent are regular workers. Thus while quantity wise ST are most 'employed', followed by SC and Muslims, in terms of quality of employment, they follow a reverse order. Employment among all three of them, however, is generally of lower quality than among other groups, in so far as the regularity of work and income is concerned.

**Table 2**  
**Participation in Workforce by Social Group**

	<i>Share in population (%)</i>	<i>Share in workforce (%)</i>	
		<i>Total</i>	<i>In regular jobs</i>
Scheduled Castes	16.2	20.1	13.6
Scheduled Tribes	8.2	9.6	8.1
Muslims	13.4	10.9	14.6
Others	62.2	59.6	19.2

*Source:* Estimated on the basis of data from Census of India, 2011 and NSSO survey on Employment and Unemployment 65<sup>th</sup> Round (2009-10).

How have different social groups fared in terms of growth of employment? Let us look at the growth rate of employment among different groups over the period 1983/1993-94 and 1993-94/2009-10 (*Table 3*).

**Table 3**

<i>Social Group</i>	<i>Growth of Employment</i>	<i>(% per annum)</i>
	<i>1983 / 1993-94 (R)</i>	<i>1993-94 / (R) 2009-10</i>
Scheduled Castes	2.7 (1.0)	1.7 (3.6)
Scheduled Tribes	1.8 (-0.4)	0.9 (1.9)
Muslims	1.8 (1.5)	2.3 (2.6)
Others	1.9 (2.6)	1.1 (1.5)
All	2.0 (2.1)	1.3 (2.0)

*Source:* NSSO, Reports on Employment and Unemployment Various Rounds.

Figures in parenthesis ( ) are for Regular Workers

Different groups had by and large, similar growth of employment over the two periods except that SCs had a much higher growth in employment during 1983/1993-94, and Muslims during 1993-94/2009-10. What is significant to note is that while in the period 1983/1993-94, all the three disadvantaged groups lagged behind others in respect of growth of regular jobs, SCs and Muslims have scored over others, while STs continued to lag behind in this respect, in the post-reform period of 1993-94/2009-10. On the whole, SCs and Muslims have experienced gains both in quantity and quality of employment while STs have continued to perform lower than average in both respects.

Do Indian labour markets continue to discriminate against these groups, especially in recruiting workers in regular wage and salaried jobs? According to a study based on the NSSO data for 2004-05, while chances of securing a regular job were 21.5 per cent in the case of caste Hindus, they were only 6.7 per cent in the case of Scheduled Tribe and 12.4 per cent in the case of those belonging to Scheduled Castes. Among Muslims they were higher at 25 per cent, but were still lower than Hindus at 37 per cent (Bordia-Das, 2010). Another study based on evidence from responses to 'experimental' applications against newspaper advertisements announcing job vacancies by private sector companies, during 2005-06, revealed that responses significantly vary among dalit and high caste Hindu and Muslim candidates. Taking high caste Hindu candidate as reference category (=1) the probability of a dalit candidate to be called for interview was 0.67 and that of a Muslim candidate 0.33. Probability for a qualified dalit candidate was less (0.85) even against an underqualified high caste Hindu candidate (Thorat et al, 2010).

Discrimination, however, is observed to be much less now as compared to 30-40 years back. Studies conducted in cities like Mumbai, Pune and Coimbatore during 1960's 1970's and 1980's (Lambert, 1963, Deshpande, 1979 and Harris *et al*, 1990) revealed a significant under-representation of lower castes in large factories as compared to their population in the respective city. It was found to be a result mainly of the discriminatory processes of worker search and highly exclusive and particularistic methods of

disseminator of information and recruitment, (Papola, 2005). It is also observed that wage discrimination as revealed by wage-differences between workers belonging to different groups, though still significant, has declined. Wage relative of SCs was 0.56 and of STs 0.54 (with others = 1.0) in 1983; in 2009-10 it has improved to 0.59 and 0.71 respectively (Abraham, 2012).

The extent of discrimination, however, still continues to be large. What is further disconcerting is that education which is expected to be an important leveller seems to widen instead of narrowing the differences. According to a study based on NSSO data on the urban regular wage and salaried workers in the age group 15-65, the same level of education tends to benefit SC workers significantly less than others. Rates of return of primary education were 1.92 per cent for Scheduled Castes and 3.10 per cent for others, in 1999-2000. For secondary education, rates were 8.16 per cent for SCs and 11.26 for others; and, in the case of a graduate degree, SCs earned a return of 5.30 per cent while others gained 9.60 per cent. Wage differences between SC and others were found to be 70 per cent due to endowment and 30 per cent to discrimination, in the private sector. Contribution of discrimination was, of course, lower at 14 per cent and of endowment higher at 86 per cent in public sector. (Madhaswaran and Attewell, 2010).

## **VIII. Interventions:**

### **Capacity Enhancement and Affirmative Act**

Existence of social exclusion and discrimination in the labour market is quite well established in a large number of studies. It has also been convincingly argued that these processes tend to reduce economic efficiency in so far as they prevent hiring of the best, adversely affect economic growth, and, of course, lead to perpetuation of inequality and of poverty among discriminated group (For a summary of arguments see Ashwini Despande, 2005, Thorat and Newman, 2010). The case for introducing measures to combat them is thus obvious. Such measures consist of two elements: one that aim at capacity enhancement of the excluded groups so as to reduce their disadvantage vis-à-vis other groups and the second, to positively discriminate in their favour by giving them preferential treatment in hiring. Both these approaches have been adopted in India in the form of preferential and promotive measures in education and reservation in public sector jobs. These measures have, no doubt, significantly improved the relative position of concerned social groups, namely Scheduled Castes and Scheduled Tribes over the past 60 years. It, however needs to be noted that these measures have benefitted SCs to a much larger extent than STs and Muslims have improved their position without such measures. And social exclusion and discrimination in labour markets against these groups still continues to be widespread and of significant extent as evidence presented earlier shows, partly due to poor effectiveness of the existing measures and partly

because of the absence of any affirmative action in the private sector where most of the Indian workers are employed.

Studies suggest that while discrimination is quite significant, a major part of the exclusion is accounted for by endowment, that is education, skills and experience of a worker. It is, therefore, necessary, in the first instance, that effective measures to improve the endowment of the workers belonging to the disadvantaged social groups are undertaken. These measures may include not only a support for education and skill formation, but also steps towards alleviation of their poverty. Their access both to education, training and health facilities and to sources of livelihoods needs to improve. For, while quite often, availability of institutions and facility is not found sufficient, enabling people to avail of them is also equally important, in so far as their existing economic and social handicaps prevent their use.

It is, however, observed that endowment again is a necessary but not a sufficient condition for benefitting from participation in the labour market and accessing jobs befitting one's qualifications. The fact that rates of return on education are significantly lower for Scheduled Caste workers than for others suggests that the labour markets discriminate among workers with similar educational endowment but with different social background. Part of this exclusion takes place because the dissemination of information on jobs is often exclusionary: information becomes available only those who have someone 'inside'; and the insiders mostly happen to be from among those socially and economically better placed. In the process, equality of opportunity is denied. The discriminatory process can extend beyond access to information to processes of selection in which attributes which have little relevance for the performance of the job, but tend to favour candidates with better social and economic endowment (e.g. facility with spoken English!), are emphasised. The second necessary condition to reduce exclusion and discrimination, therefore, is to ensure equality of opportunity in access to information and use of non-discriminatory methods and criteria in selection.

Finally, it is also observed that ensuring capacity enhancement and equality of opportunity also does not necessarily lead to a non-discriminatory and non-exclusionary treatment in the labour markets as employers often have a 'taste' for discrimination. To the extent, such discrimination is found to be systematic and significant, the necessary measures lie in the spheres of affirmative action, and more specifically in the form of positive discrimination. Such action in the form of quota and reservation in jobs in the public sector has been practised with significant positive results in India for several decades now and the private sector may have to consider its adoption in broader social context as part of its social responsibility towards the disadvantage sections of society.

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